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ABSTRACT

A national effort has emerged to foster ownership of broadcasting facilities by members of racial and ethnic minorities. The Federal Communications Commission (FCC), the courts, the executive branch of government, and members of congress, have all backed the case for more minority ownership in the broadcasting industry. Special interest groups, such as the National Association of Broadcasters, have also helped by providing technical and financial assistance to minority group owners. As a result, the number of minority owned media has increased dramatically over the past two decades. While the future appears bright, it is clearly not without problems. Minorities face unique problems in programing material suited for their audiences. In addition, the problems of attracting advertising dollars and obtaining accurate ratings of audiences loom large for the minority broadcaster. (FL)

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FREEDOM OF INFORMATION CENTER REPORT NO. 435

MINORITY BROADCASTING OWNERSHIP

This report was written by Shirley Diane Taylor, who holds a master's degree from the University of Missouri School of Journalism.

It has long been an established policy of broadcasters ... and the Federal Communications Commission that the American system of broadcasting must serve significant minorities among our population. Public Service Responsibility of Broadcast Licensees, March 7, 1946 (The Blue Book) at 15 (Emphasis added)

At age 72, William V. Banks had spearheaded several successful black enterprises in Detroit. In the early 1970s, he transformed a money-losing FM radio station into a money-making operation. A respectable minister and lawyer, Banks has been described as a "major force in Detroit's large and powerful black Establishment."¹

Early along, Banks recognized what he felt was a deficiency in commercial television programming. As William Stevens writes (New York Times, 9-30-75), making money was Banks' second goal. His first was to launch a television station that presented a positive, everyday side of black life — a side that commercial television failed to show.

For 10 years, Banks labored to raise \$2.7 million to actualize his concept of what a black television station should encompass. With the help of the International Masons — a 350,000 member group — Banks opened the doors of WGPR on Sept. 29, 1975.²

Five years later, WGPR retains its exclusiveness as one of a handful of minority-owned and -operated television stations in the United States. That reputation, however, is one subject to change — and soon.

A national effort has emerged to foster minority ownership of broadcasting facilities. The Federal Communications Commission, the courts, the former Carter administration, members of Congress, among others, have backed the case for more minority ownership in the broadcasting industry. Special interest organizations — notably the National Association of Broadcasters — aid the uphill battle by providing technical and financial assistance. The number of minority-owned and -operated stations is on the increase as a result.

While the future appears bright for minority entrepreneurs, it is clearly not one without problems. Minorities face unique problems in programming material ideally suited for minority audiences. And once a station is underway, the problems of attracting advertising dollars and

obtaining accurate ratings of audiences loom in front of the minority broadcaster.

Questions remain about the movement to foster minority ownership: At what proportions will there be significant ownership? How fair are FCC policies to non-minority broadcasters who established themselves without government aid?

The answers to these questions are not crystal clear. But what is crystal clear are the hows and whys of the movement — which take us to the beginning.

History Of Minority Ownership

When the Federal Communications Act of 1934 was signed into law, public policy to encourage minority ownership was nonexistent.

Minority ownership in the media was largely limited to print media during the 50s and 60s. Numerous black newspapers arose during this period to oppose exploitation of black and minority persons.³

Radio was the first broadcasting medium cracked by minorities. Measurements of the stations were often inaccurate because many listings failed to distinguish between stations that were 100 percent black-owned and those that were black-oriented or offered limited hours of black programming.⁴

As of March 1980, NAB reports that of 9,800 total stations in the United States, minorities owned 138. Of this 138 stations, blacks owned 113, Hispanics owned 24 and Native Americans owned one educational FM radio station in Arizona. Of approximately 4,000 cable systems, a minority owns one.⁵ Pending acquisitions may have forced numbers to rise, but not by any significant margins.

For the most part, minority ownership remains limited to radio stations. Of the estimated 138 minority-owned stations, radio outlets constitute 124 units.⁶

Ownership patterns of minority media show that 60 percent of all black-owned radio stations are owned by licensees having more than one station. The largest group owner is Broadcast Enterprise Network, Inc. — licensee of at least 10 radio stations and one major network-affiliated VHF station. Other large group-owners are Sheridan Broadcasting Corp. and J.B. Broadcasting. In addition, there are two black national networks, National Black Network and Mutual Black Network.⁷

The landmark year in minority acquisition has been 1978 with the sale of two VHF stations and radio stations to

Summary:



Minority ownership of broadcasting facilities has steadily, though slowly increased over the past two decades. Getting started remains the rough part, and once there the black media still lack the advantages given to its white counterpart.

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minority groups. But while these acquisitions are significant, minority ownership is still rare—a situation that some say is not in the "public interest."

The FCC, addressing the problem in its 1978 Minority Ownership Task Force Report, stated the problem clearly:

"Despite the fact that minorities constitute approximately 20 percent of the population, they control fewer than one percent of the 8,500 commercial radio and television stations currently operating in this country . . . Acute underrepresentation of minorities among the owners of broadcast properties is troublesome because it is the licensee who is ultimately responsible for identifying and serving the needs and interest of his or her audience. Unless minorities are encouraged to enter the mainstream of the commercial broadcasting business, a substantial proportion of our citizenry will remain underserved and the larger, non-minority audience will be deprived of the views of minorities."⁸

Columnist Carl Rowan was a bit more caustic about the situation. He writes (*Washington Star*, 2-3-78):

"The issue of who is entitled to own the nation's media, and how widely dispersed within our population that ownership ought to be is no trifling or academic issue. It goes to the heart of who dominates this society."

The real "crime" Rowan stresses occurred when the allocation of stations was made. "Them that had . . . got, and them that had not got shafted." He concludes in the article:

That's why minorities have virtually no ownership of radio and TV stations. Nor do the poor. Nor do many other special interest groups. One view is that special interest groups aren't entitled to broadcast frequencies or channels, and that minorities and the poor can't afford to operate them. Another view is that the airwaves belong to everyone, and that they ought not go automatically to those who have the most money."

Rowan's first view appeared to dominate the broadcasting scene for most of the '60s and well into the '70s.

Early efforts to launch broadcasting stations by minorities were met with numerous barriers — the number-one barrier being financing.

Benjamin Hooks, a former FCC commissioner writes (*Kansas City Call*, 6-17-23-1977) that Banks' efforts to start WGPR were not easy ones. Banks was turned down by the Ford Foundation and four Detroit banks when he applied for loans. After paying \$22,500 for the license of WGPR, he attempted to get the money returned in order to help with the station's operating expenses. No such luck, according to Hooks. The FCC could not return the money by law. In the station's first 19 months, Hooks concludes, the income never exceeded the expenses.

The innovative programming Banks hoped for has not come the station's way. WGPR has survived by filling gaps that other stations leave. It runs films late at night, allots large programming slots to religious and ethnic programming. Ulysses Boykin, vice president for public relations at WGPR, says those techniques will have to end. "Both of these groups are turned off by the white stations, and we give them time at lower cost. But sooner or later we will have to stop ourselves. Eventually when we are successful enough, we won't be able to do this either."⁹

Programs the station hoped to produce, which would reveal a positive side of black life are beyond the station's means and would easily deplete the advertising revenues that come its way.¹⁰

Interim problems that WGPR faced between getting started and staying started were fates suffered by similar minority-launched broadcasting operations during the '60s and early '70s.

Policies

In recognition of these problems, the FCC sponsored a minority ownership conference in April 1977. The conference aimed at identifying barriers confronting minority ownership and seeking solutions to those obstacles.¹¹

Minority participants at the conference echoed similar problems to the ones faced by Banks: difficulties in obtaining finances; poor access to broadcasting facilities during sale periods; operational problems once the station was started; and inaccurate rating services.

The FCC, with stimulation from the Carter administration, NAB, the Black Caucus and others, developed policies it felt would promote minority ownership. Specifically, the commission took several steps one year after the conference:

1. Tax certificates are granted to sellers who sell properties to groups with a controlling minority interest. Controlling factor as used by the FCC implies 51 percent ownership by a minority group — American Indian, Black, Hispanic, Aleut, and Asiatic American. The Commission will also grant tax certificates in cases of lesser minority interest depending "on whether minority interest is significant enough to justify the certificate in light of the policy announced here in."¹²
2. Licensees whose licenses have been designated for a revocation hearing on basic qualification issues (faulty logging practices) may transfer or assign their licenses at a "distress sale" price to applicants with significant minority interest.¹³

The FCC normally has permitted distress sales when the licensee is either bankrupt or physically or mentally disabled. However, the commission recognizes other grounds: "The avoidance of time-consuming and expensive hearings will more than compensate for any diminution in the license revocation process as a deterrent to wrongdoing."¹⁴

As of Oct. 15, 1979, there had been two distress sales approved and 10 tax certificates issued.¹⁵

Since the FCC initiated its tax certificate and distress sale policies on May 25, 1978, it has taken two additional steps to encourage diversification of media ownership. One step has been to establish a "minority buyer's list," the second has been an easing of financial requirements during a station's first year of operation.

The buyers' list is kept as public information on file at the FCC in its Consumer Assistance Office. It consists of minorities interested in purchasing broadcast facilities, seeking to make their wishes known to brokers, sellers, and other persons looking for minority buyers. The listing is made available when requests are received.¹⁶

Financial requirements for parties applying for new television stations and for transferees of "bars" television construction permits for television stations not yet built have been modified. The new standard requires that applicants demonstrate sufficient capital to construct the station and operate for 90 days without advertising or other broadcast revenue. The self-sufficiency standard was one year under the previous requirement. The FCC anticipated easing barriers to minorities by making the financial requirements

less stringent.¹⁷

In its 1978 statement of policy fostering minority ownership, the commission promised additional action toward improving minority participation in cable television and common carriers. In addition, the commission urged the private sector, Congress and other governmental agencies to join with their efforts.

Ironically, while the FCC urged Congress, other governmental agencies and the private sector to join, these various units had been instrumental in setting the agenda for the FCC's policy-making in 1978.

The list of participants in the effort is long and varied: governmental bodies such as the Small Business Administration, the National Telecommunications and Information Agency; the Black Caucus of the U.S. Congress; trade associations such as the National Association of Broadcasters, National Association of Black-Owned Broadcasters, and National Association of Spanish Broadcasters. Private companies — Gannett, Allbritton Communications, and Times-Mirror — were forced to participate through demands of citizens' groups. The battle to encourage minority ownership was not a simple one nor a single one. From all corners they came, and the ring was wide open.

Pulse Of a Movement

The movement for minority ownership began during the '60s, a period ripe for early stirrings of minorities seeking access to the media. The earliest efforts focused not so much on ownership, as they did on merely gaining access to the powerful broadcasting media.

In order to gain access to the media, dissatisfied citizens formed groups to contest license renewals and file competing applications in cases where they felt television and radio stations were not adequately representing the community's needs.

Although citizen groups complained of poor station performance during the years between 1934 and 1966, they were not "parties in interest", and the FCC was considered the sole official watchdog of the "public interest."¹⁸

But the Office of Communication of the United Church of Christ saw to it that this distinction was removed. In 1964, the Office of Communication joined with a local citizen's group in Jackson, Miss., to protest unfair racial and religious coverage by television station WLBT, owned by the Lamar Life Insurance Co.

Taking their case to the federal courts, Church of Christ representatives sought permission to participate in the FCC's consideration of WLBT's application for license renewal. In a landmark decision in 1966, the U.S. Court of Appeals for the District of Columbia ruled that "intervenors representing segments of the licensee's listening public were to be permitted to intervene and participate" in the FCC's consideration of license renewals.¹⁹

Reviewing the station's performance, the court concluded that WLBT programming included demeaning characterizations; denial of fairness doctrine opportunities to blacks; preclusion of black clergymen from participation in the station's midday devotional programs; refusal to carry NAACP spots; and common references to blacks as "niggers."²⁰

Despite the court's decision, the FCC granted renewal of WLBT's license to Lamar in 1967. In its hearing, however, the commission forced the Church of Christ representatives into an advocate's position, rather than that of an intervenor. Objecting to this procedure, the Office of Communication returned to the courts.

In 1969, Judge Warren Burger, now Chief Justice of the

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United States, rebuked the FCC for placing the citizen's group in an advocate's position:

... when a fairness complaint is made, a licensee relying upon network programs to balance local broadcasts has the burden of demonstrating that network shows carried by it did present contrasting viewpoints to those expressed in the local broadcasts. (Emphasis added)

The Court of Appeals said: "That showing has not been made here." Burger said the record of the FCC hearing left the court "with a profound concern over the entire handling of this case..." and that:

The impatience with the Public Inventors, the hostility toward their efforts to satisfy a surprisingly strict standard of proof, plain errors in rulings and findings lead us ... to the conclusion that it will serve no useful purpose to ask the Commissioner to reconsider ... under a correct allocation of the burden of proof. The administrative conduct reflected in this record is beyond repair.²¹ (Emphasis added)

Accordingly, the Court of Appeals vacated the license and ordered the FCC to invite new applicants and hold new hearings. Control of WLBT was taken from Lamar Life Insurance Co. and handed to an interim, non-profit operator. In this process, William Dilday became the first black general manager of a major VHF television station in the United States.²²

Finally, on Dec. 7, 1979, Lenora Ehrig, an FCC administrative law judge awarded (Washington Star, 12-8-79) control of WLBT to TV-3, Inc., a black-controlled company created especially for the purpose of managing the station. Of the firm's stockholders, 51 percent were black. And the company's chairman was Aaron Henry, who also was director of the Mississippi branch of the NAACP.

The WLBT case is significant for two reasons: First, the decision to award the station's license to TV-3 placed Mississippi's largest television station in the control of blacks; and second, the U.S. Court of Appeals' historic decisions opened the way for citizens' groups to be "parties in interest." From those landmark rulings, citizens are granted the right to participate in the FCC's rule-making proposals, initiate requests for new FCC rules and file petitions against individual stations to stop license renewals. One of the ultimate powers of groups has been to withdraw petitions for license renewals based on negotiated settlements with stations.²³

In two early 1970 cases, *TV 9 v FCC* and *Garrett v. FCC*, minority ownership was favored by the courts as being a positive step toward granting minorities greater access to the broadcast media.

In both cases, the courts gave the FCC a strong mandate to consider minority ownership in the diversification of media ownership. Moreover, the courts made it clear in the cases that they would not hesitate to review and overturn commission decisions that they believe are not in the public interest.²⁴

While the courts enforced the case for minority ownership, some individuals and groups took it upon themselves to make the case appear stronger for minority ownership. One was Benjamin Hooks, a Baptist minister and lawyer from Memphis, Tenn., who was the first black to serve on the FCC.

During his 1968 election campaign, Richard Nixon promised to appoint a black person to an FCC term. After

pressure from black media coalitions and the Congressional Black Caucus, Nixon kept his word, appointing Hooks to succeed a departing commissioner in 1972.²⁵

Hooks resigned from the post in July 1977 to head the NAACP — one of the oldest and largest civil rights groups in the United States.

During his five-year tenure on the FCC, Hook vocalized a concern for more minority influence in broadcasting facilities because as he observed, "until we (blacks, minorities) become part of the image-making process we are foredoomed to failure."²⁶

Hooks is given credit for being a major force in promoting minority ownership. He took an active role in urging the Small Business Administration to consider loans to minority entrepreneurs and suggested an advance-notice policy through which minorities could learn of desirable properties that were on the market.

Hooks earned the respect of fellow commissioners. Said fellow commissioner Joseph Fogarty of Hooks' efforts to increase minority ownership in the business: "Before Comm. Hooks joined the FCC, the industry didn't give a damn, the Administration didn't give a damn, the FCC didn't give a damn about helping blacks."²⁷

Hooks' resignation from the FCC left the black seat open for Tyrone Brown. The 36-year-old Brown is a native of East Orange, New Jersey. He worked as a law clerk to Chief Justice Earl Warren, as a lawyer in Washington for several years and as a vice president of legal affairs for Post-Newsweek Stations, Inc.

Brown has surprised many minorities by coming out in favor of deregulation of radio — an indication that he favored relaxing rules governing percentages of advertising, news, and public affairs programming that must be broadcast. This move dismayed some consumer and public interest groups.

But Brown has put his full support behind deals that could place television and radio stations under the control of minority companies. He supported a deal, resulting from a merger of Gannett and Combined Communications, in which a major network affiliated station came under the ownership of a minority. "Blacks are prepared for a place in the economic sun," says Brown, and we're prepared for a place of influence in the national culture through broadcasting."²⁸

The power of the movement was not limited to the courts and FCC commissioners. The strongest impetus came from advocacy groups stressing different components of the struggle, but aimed at one target — that of more minority ownership.

Communication Watchdogs

While the Congressional Black Caucus may not be viewed as a special interest group, it led the front of the crowd in promoting minority ownership.

In December 1976, the Black Caucus, headed by Rep. Parren Mitchell, R-Md., petitioned the FCC to allow licensees facing revocation hearings or renewal hearings to sell their properties at "lower prices" to groups with at least 50 percent of its membership made up of minority members.²⁹

Mitchell told a 1977 meeting of the National Association of Broadcasters and the National Association of Black Owned Broadcasters that there were no significantly powerful black media in the country today and that it was one of the objectives of the Black Caucus to change that.

Another minority-interest group sought to expand the Black Caucus' original petition to the FCC. The National Black Media Coalition asked the FCC to "actively and positively promote minority ownership whenever a broadcast licensee submits a petition for a transfer." NBMC also called for a re-evaluation of all commission policies and rules affecting ownership and diversification of media.³⁰

The coalition has been on the scene for the past six years. In that time, it has seen its number of affiliates double. NBMC's affiliates have risen from under 40 to 80 since 1973. Formerly called "Best Effort for Soul in Television," the coalition has been effective in revamping individual stations' affirmative action programs. Stepping in with petitions to deny sales or mergers, the NBMC, as a result, has negotiated agreements with Gannett Co. in its merger with Combined Communications Corp., with General Electric in its merger with Cox Broadcasting, and Times-Mirror in its acquisition of Newhouse Broadcasting radio and television stations.

The agreements with all three stations resulted in considerable gains for minorities: sale of a VHF network affiliated station to a minority and a revamped affirmative action program were the fruits of the Gannett agreement; Time-Mirror agreed to nominate a black to its board of directors, aid minority education with scholarships, and contribute \$750,000 of start-up capital for minorities seeking broadcast properties.³¹

At its 1979 meeting in Washington, NBMC presented to the FCC a 35-point, 136-page petition for rule-makings, which is still under consideration by the commission.³²

As its single most important proposal in the petition, NBMC urged the FCC to set aside for minorities any new assignments made available through spectrum rearrangements — such as VHF drop-in channels, reallocation of UHF channels, clear channel breakups, expansion of the AM band or reductions in the AM band widths.

Specifically in the area of minority ownership, the petition urged reopening of inquiries into conglomerate acquisitions, waiver of the Top 50 policy, which limits the number of television stations a group can own, for minorities only. In addition, the petition urged the FCC not to consider new AM-FM combinations except for minority owners and to give tax certificates in split-ups of existing AM-FM combinations only when sold to minorities. The proposals continued in the petition: Permit distress sales at half market value before the hearing, 1/3 during the hearing and 1/4 after the hearing.³³

Another minority group of broadcasters that has met success has been the National Association of Black-Owned Broadcasters. Though the main thrust of the group has been directed at advertising discrimination, they have been instrumental in outlining what they consider barriers to minority ownership. They have developed ties with NAB, and the two groups held a joint minority ownership conference Sept. 19, 1979, in Washington.³⁴

NABOB grew out of a 1977 Atlanta meeting of black radio station owners. The black radio-station owners formed to serve as a link between black owners and to "sensitize" advertising agencies and clients to the importance of the black market.

Shortly after the group formed, an advertising and rating committee was set up to meet with the American Association of Advertising Agencies about a six-point program the 4A's had drawn up to improve market research, documentation of minority audience responses to ads and possibilities of adding more sales people at minority stations.

NABOB — at that time headed by Elliot Franks, vice president and general manager of radio station WOIR in Columbia, S.C., — was upset by the 4A's proposal for more competitive pricing by minority stations and more

professional selling approaches.

Franks retaliated: "Time after time, we're told how loyal minority listeners are, but until that monster called Arbitron begins to develop data that accurately reflects minority listenership, agencies and advertisers will still be reluctant to buy us."³⁵

Overall, minority audiences have been difficult to measure. Minorities as a group are more likely to have unlisted phone numbers and are less likely to fill in diaries.³⁶

As a result, Arbitron has begun using an expanded sample frame that takes unlisted numbers into account when measuring minority audiences.³⁷

Advertising discrimination does not rest entirely with rating agencies or so says an executive vice president of Mutual Black Network. Thomas McKinney cites this case: A well-known sneaker manufacturer told him that as much as the company would like to use MBN as an advertising medium, if they did it might look like the company was staking out a position as "the black sneaker."³⁸

Other racial minorities protested similar issues. The Southwestern Spanish Broadcasters Association — the only organization with membership based on Hispanic ownership — is also concerned with attracting national advertisers. The group intends to align itself with NAB. The Washington-based group met with FCC Chairman Charles Ferris in August 1979 to inform him of the "special problems that Hispanics face, especially with rating services."

SSBA has no intentions to merge with a sister group — National Association of Spanish Broadcasters, which is also based in Washington. In fact, *Broadcasting* reports (10-15-79) there is outright tension between the two groups.

Among Hispanics, there is a feeling that it is their turn to get a lucrative share of the pie — time for blacks and women to move over. Hispanics say the 1980s will belong to those of Spanish heritage, based on this decade's census, which revealed that America is the fourth largest Spanish-speaking nation in the world with 26 million total population.³⁹

Ownership among Native Americans is limited, but they are not without a voice. The Native American Public Broadcasting Corporation is a consortium based in Lincoln, Neb. Funded by the Corporation for Public Broadcasting, the consortium develops and distributes programming about Indians. It also works to increase employment of Indians throughout the broadcasting industry.

Active organizations representing Asian Americans in the broadcasting industry are limited as is ownership of broadcasting facilities by Asian Americans. However, *Broadcasting* lists (10-15-79) one or two special interest groups with an interest in media. These include Asian Americans for Fair Media, Chinese for Affirmative Action, and the Chinatown Planning Committee. The groups are primarily centered on the West Coast.

A majority of minority broadcasters complain that advertising discrimination is the number one enemy they face once they get started. Getting started, however, is the most difficult hurdle for them.

Minority broadcaster Ragan Henry remembers buying his first radio station in 1974:

We early owners took tremendous risks to get into the industry. Most of us neither had nor controlled meaningful capital, so we had to borrow heavily . . . We also had to put our meager monies up in advance of having firm commitments on broadcast properties. I well remember using all the money I had saved — \$28,000 — to make the deposit on our first station.⁴⁰

And then the night before the deal closed, Jacqueline Trescott writes (*Boston Globe*, 12-4-78), Henry had more problems; one of the banks almost got cold feet. "They took

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the loan agreements away from a young loan officer. They didn't know the broadcasting business and they thought we were a trifling black company," Henry explained.

Hispanics voice similar complaints. Brokers and lenders have been unwilling in the past to deal with minorities purchasing broadcast facilities. With no ready funds to invest, minorities have often had to forgo purchasing broadcast stations.

But difficulties in finding ready funds may ease some. Governmental agencies and private organizations are fueling the minority movement by loaning dollars to minority entrepreneurs.

Financial Aid

The NAB took the lead in financing plans to boost minority ownership. NAB petitioned the FCC in 1977 to issue a tax certificate to any broadcaster selling property to a minority buyer. The FCC adopted the policy, which has been in effect since 1978.⁴¹

NAB took additional steps to aid the cause. It formed a task force on minority ownership to act as a catalyst in stimulating minority ownership. In February 1977, the task force established a minority broadcast investment fund. NAB set a goal for \$15 for the fund and hoped that it would eventually reach \$37 million.

As of October 1979, the investment fund totaled just under \$9 million. Contributions came from each of the three major networks, Capital Cities, Westinghouse and other broadcasting companies.

Two types of contributions have been solicited for the fund: direct cash and guarantee. Cash contributions will be for immediate use as equity or low-cost loans and a guarantee would be payable only in the event of a default by a minority firm whose loan had been guaranteed by the trust.

NAB asked contributors to make a sizable contribution during the first year if they planned to make contributions over a period of time. Donations are tax deductible and contributors, receive full insulation from the FCC's multiple ownership rules.

To insure the economic viability of minority stations, the fund also provides training programs, technical assistance, and other supportive activities.⁴²

The Carter administration also played a large part in fostering minority ownership. President Carter called on the FCC to relax standards governing a prospective buyers' assets, first year's revenues and amount of working capital. The president also endorsed a distress sales idea and asked the FCC to approve the tax certificate idea submitted by NAB.

These were actions to foster minority ownership by altering policies and easing requirements for prospective minority buyers. To lessen the money crunch minority buyers faced, a loan assistance program was set up under the National Telecommunications and Information Administration, formerly the Office of Telecommunications under the Nixon administration.

Loans from the Small Business Administration, the Economic Development Administration, the Farmers Home Administration are bonuses of the Carter administration's "Minority Telecommunications Development Program."⁴³

The SBA had long refused to grant loans for media ownership because of potential government involvement in an industry protected by the First Amendment. The Carter administration, along with members of the FCC, pushed for a

change in the SBA policy.

Although the new policy is expected to aid minorities, it is not exclusive to minorities. The program came under fire when NBC's Tom Brokaw received one of the loans.

Here's how SBA's program works: SBA will make available direct loans up to \$350,000 and guaranteed loans up to \$500,000 to finance broadcast properties. The loans are available to disadvantaged small business concerns to finance "plant construction, conversion . . . or to supply such concerns with working capital . . ." Generally speaking, the loans are available to anyone who can demonstrate a need.⁴⁴

Broadcasting reports (10-15-79) that 20 loans went to minorities as of June 30, 1979. The loans totaled \$5,541,172.

The EDA of the Department of Commerce opened its banks to prospective minority owners with loans and guaranteed loans also. Financial assistance is extended where at least one direct job is created for every \$10,000 spent and/or where EDA has already aided a community extensively.

The FmHA, a rural credit agency of the Department of Agriculture, also assists potential minority buyers — but it is primarily concerned with developing rural America. Priority is given to projects in small towns. Only one minority loan has been in the process of approval through February of fiscal year 1979.⁴⁵

Aside from governmental agencies, private capital companies have made sizable investments in minority purchases. The companies make direct equity investments, which minority broadcaster Ragan Henry warns, "may result in the minority owner giving up 5 percent to 40 percent of ownership in the enterprise."⁴⁶

Within the category of private venture companies, are the small business investment companies. Formerly called MESBICs (Minority Enterprise Small Business Investment Companies), the name was changed in 1972 to reflect a general base rather than one limited to minorities. The companies are privately-owned venture capital companies licensed by the SBA. SBA provides SBICs (having \$500,000 or more in capital) with four times their capital in matching sums.

Syndicated Communications, a venture company based in Washington, operates as a SBIC. It also acts as a lead investor and syndicator in a deal to help entrepreneurs obtain additional funds through a bank.⁴⁷

Agreements that citizen groups negotiate with media conglomerates in the recent years have increased funds used in buying broadcasting properties.

In 1978, Allbritton Communications (formerly Washington Star Communications, Inc.) reached an agreement with Chemical Bank of New York to aid minorities acquiring broadcast facilities with no cost attached to inquiring prospective buyers.

The cost has fallen on Allbritton. Allbritton pays Chemical a monthly fee of \$7,500. To provide additional incentives, Allbritton will pay Chemical additional compensation in the amount of .5 percent of the total purchase price of any successful acquisition of broadcast property by a minority purchaser.

Chemical, in return, evaluates proposals submitted by prospective minority purchasers, evaluates the price, analyzes the financial plan and helps the buyer to secure financing.

The agreement grew out of 1975 arrangement with three Washington citizen groups when they intervened in the sale of WJLA to Combined Communications Corp. Allbritton

agreed to a three-year effort to help secure \$10 million in financing for minority ownership of broadcast stations.⁴⁸

Times-Mirror, meeting a fate similar to Allbritton's, pledged a black media coalition, NBMCC, that it would provide \$750,000 of start-up capital for minority acquisitions. Times also agreed to provide management and technical assistance.

Storer Broadcasting has formed a minority enterprise small business investment corporation that makes \$5 million available to minorities.⁴⁹

Managerial and technical assistance abounds for minorities interested in purchasing broadcast stations. To name one of many, the FCC has created a Minority Enterprise Division. The staff, part of a newly-created public affairs office, is the focal point of disseminating information to women and minorities seeking employment and minorities interested in broadcast purchases.

The FCC's bar association has established a program of free and reduced-price legal assistance for minorities.

With the free-hearted spirit of the public sector and private sector to aid minority ownership, some minority groups have met obvious success.

Success Stories

Mention success and minority broadcasters and the flow of the conversation will most likely turn to Ragan Henry.

Henry, a Philadelphia lawyer, heads Broadcast Enterprises Network, Inc. The company acquired its first broadcast property in 1974 and it has been buying properties since. WGIV-AM, North Carolina; WCIN-AM, Cincinnati; WPDQ-AM, Jacksonville, Fla. are only three of roughly 10 stations bought by BENI since 1974.

The company's major purchase came in June 1979 when it acquired WHEC-TV in Rochester, N.Y. The purchase, which resulted in a tax certificate being granted Gannett, gave BENI power over the first black-owned VHF station in a major market. Earlier, the only black-owned station, WGPR, had operated on the UHF frequency — a less desirable frequency. (Gannett was forced to divest itself of the station because it owned a newspaper in Rochester. Cross-ownership rules prevent this).

A week before BENI's purchase, a Chicago-based group, Seaway Communications, acquired the license of WAEO-TV in Rhinelander, Wis. This transfer of license was the first to take place under the FCC's distress sale policy. Seaway is a black group of business and professional people. Seaway, with 34 stockholders, is headed by Jasper F. Williams, a 60-year-old Chicago obstetrician and gynecologist.

The sale of the station revolved around alleged logging violations, fraudulent billings, and misrepresentations to the commission.⁵⁰

A Seaway spokesman said (Washington Star, 9-23-78) that "the new management envisioned no radical personnel or program changes; and that programs would be aimed at the tastes and preferences of the community."

The first tax certificate was issued to Raymar Communications, Inc. when it sold WYCH(FM) of Hamilton, Ohio, to a minority group, YCH Associates, for \$600,000.

Another minority group that is gaining speed on Henry's number one spot is Inner City Broadcasting. ICB operates an AM and FM radio station in New York City, and other stations in San Francisco, Los Angeles, and suburban Detroit. The group is headed by Percy Sutton, a former Manhattan borough president and his son, Pepe Sutton. The company is reportedly shying away from television because its leaders believe that the future of television is uncertain at this time. But the company is keeping a close eye on radio

and the possibilities of looking at cable television.⁵²

In the way of cable television, a new programming service, dubbed Black Entertainment, cranked-up its services in January 1980. Programs are ad-supported, offered free to cable operators and distributed via Madison Square Gardens. Robert Johnson, who designed the programs, says they run two hours weekly and are "a particularly attractive advertising medium to reach the black audience, but appeal to whites as well."⁵³

Bronco Broadcasting — a St. Louis-based company — recently purchased KIRL(AM) in St. Charles, Mo. The sale involved a tax certificate bonus to seller Contemporary Media, Inc.

Bronco had attempted to buy another St. Louis station — KWK — but lost out on the deal to Doubleday Broadcasting. This time around, the purchase was much easier, says one of the members of the company, John Roland.⁵⁴ Ready financing from Mercantile Bank in St. Louis, SBA loans and equity funds from one of the small business investment companies made the buy easier all around this time, compared to the company's previous attempt to buy KWK in 1973.

Bronco has changed the station's format to an all-day contemporary gospel format. The change is aimed at black audiences. The station originally employed a country and western format.

The success stories are plentiful — but some broadcasters among the minority ranks are not so sure the path to ownership is as easy as it appears.

Pitfalls

There is nothing as easy as it looks. Ask most any minority broadcaster . . .

Pepe Sutton of Inner City Broadcasting: "For two years, I searched the country, but not being part of the ol' boy network, I couldn't find a property. It was awhile before brokers would take me seriously."⁵⁵

But Sutton says that while brokers take him seriously now, other problems persist — notably that black broadcasters are offered stations with intrinsic technical disadvantages, such as daytime-only stations and stations at the end of the dial with weak signals.

Thomas McKinney of Mutual Black Network says most distress sales are stations that are "a piece of garbage."⁵⁶

And Ragan Henry offers the complete outline of problems besetting the minority owner in a March 1979 speech at North Carolina A&T University.

The number one problem may well be the unreasonable expectations on the part of certain blacks as to what a black owner can immediately accomplish upon obtaining ownership in the industry. Such unreasonable expectations take several forms. Very often it takes the form of unreasonable programming demands on the minority broadcaster. Programming costs money. Some programming drives mass audiences away.⁵⁷

Ragan listed other problems: the worrisome expectation that every black owner must "fire whites and replace them with blacks; venture capital companies seeking high interest rates and requesting additional amounts of equity; and outright attempts by some whom Henry describes as "black hustlers" seeking a percentage of the deal without any input. The hustlers threaten that, some filing will be made with the FCC if they do not receive the sought percentage.

Henry concludes:

Minority owners have a dilemma. They cannot afford long delays and costly legal battles with a bunch of selfish individuals intent on using FCC access and procedures to their own advantage. On

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the other hand, such owners can't afford to deal with hustlers and certainly can't be expected to take them in as partners . . . This will lead to confrontation between blacks.⁵⁸

Confrontation among minority groups may become fierce as "distress sales" and tax certificate bonuses receive more public attention.

Jack Anderson, TV and radio editor for the Miami Herald details (8-31-79) one case of minority competition over the license of a Miami radio station. A Miami-based black broadcasting group asked the FCC to take action to grant them priority over a Philadelphia-based minority group. At that time, the Miami group was seeking the license of another radio station, but sought to obtain the license of the second station on grounds that the other group was composed of "out-of-towners." The license eventually went to the Philadelphia group, BENI.

Such special attention, in some cases, has caused eyebrows to raise. Although moves to foster minority ownership have generally been praised, there are some who disagree with the FCC's policies.

Dissenting Voices

Writes Jack Sloane of Mount Clemens, Mich., in *Broadcasting* (10-29-79):

If a state has 8 percent minorities and there are 10 UHF stations in the state and a minority owns one, is the FCC still going to give preference to minorities when the minorities exceed the minority percentage?

Second, if the purpose for minority ownership is to increase diversity of programming, has there been any showing that minority-owned stations give greater programming to minorities?

Finally, at what percentage of minority ownership will the FCC again start treating everyone equal, as the U.S. Constitution suggests?

Mr. Sloane may have hit the dissenter's mark with his three questions. While the FCC policies clearly aid minorities, it is questionable as to whether they are fair to non-minority broadcasters.

As *Broadcasting* editorialized (1-17-77):

It is inconceivable that the FCC would take seriously a proposal by the Congressional Black Caucus that, stripped of its niceties, would let minorities shoot their way into station ownership. . . this proposal ignores both civil and property rights.

Eight months later *Broadcasting* editorialized (9-12-77) again on the issue, this time with depth in attacking or supporting specific proposals.

On the issue of a 45-day notice that all station sellers should be required to give, the editors wrote: "The probable result . . . would be a distortion of the station-trading market at no gain whatsoever for minorities. . ."

NAB's tax certificate proposal was blasted: "This proposal is superficially attractive. It avoids the compulsory features of affirmative government rules. It offers broadcasters a tangible reason to seek out minority buyers."

The seeking-out of minority owners leads to what *Broadcasting* describes as a penalty exacted on a "majority buyer."

The editorial ends on this note:

In the long run, however, the minorities will

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establish themselves by meeting the same standards the establishment now meets — achieving professional competence, acquiring venture capital, putting it to productive use.

From Here — Where?

The FCC has determined that minority ownership of broadcasting facilities is in the interest of the public. Both the private and public sectors have pushed the movement with financing, managerial and technical assistance.

As a result, minority-owned and-operated stations are appearing on the scene, and there is hope that the move to diversity media ownership will enlarge the public view, making the public more aware of minority needs and interests.

It has not been determined, however, that the FCC's steps were, indeed, the steps to take. While the FCC's policies to

foster minority ownership are well-defined, the outcome of these policies is uncertain.

There are critical questions that must be answered: How long will the program continue? Will minority programming change significantly? Do the proposals ignore constitutional and property rights as Broadcasting suggests? Could it also be true that some "majority broadcasters" also face or faced difficult problems getting started as many minority broadcasters face?

As for the minority entrepreneur, will he overlook programming goals in favor of the bottom line or will he be forced to take this route to survive in light of advertising revenues?

An accurate assessment of the future is impossible. At this point, the movement is barely underway, having begun in 1978.

Barbara Moran of the FCC's Minority Enterprise Division says the policies will remain in effect until there is "significant minority ownership."⁵⁶

But the time is right for Ragan Henrys and Pepe Suttons. Never have times been brighter, investments so prime, as now for minority ownership.

FOOTNOTES

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